

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name		County	
Fiscal Year End		Opinion Date			Date Audit Report Submitted to State		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

STOCKBRIDGE AREA EMERGENCY
SERVICES AUTHORITY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY

AUTHORITY BOARD

Robert Hannewald
Todd Baker
Paul Risner
Judy Heeney
Damon Rhines

ATTORNEY

Gentry Law Offices

AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities	12
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Fund	14
Reconciliation of Statement of Net Assts of Governmental Funds to the Balance Sheet	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
NOTES TO FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION	
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	26
SUPPLEMENTARY INFORMATION	
Balance Sheet - by Department	28
Statement of Revenues and Expenditures - Budget and Actual - by Department	29
Statement of Expenditures - Budget and Actual - by Department	30



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July 1, 2007

Board of Trustees
Stockbridge Area Emergency Services Authority
125 South Center Street
Stockbridge, Michigan 49285

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the Stockbridge Area Emergency Services Authority as of and for the year ended March 31, 2007. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stockbridge Area Emergency Services Authority, as of March 31, 2007, and the respective changes in financial position, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 6 through 8 and page 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stockbridge Area Emergency Services Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Within this section of the Stockbridge Area Emergency Services Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Both government-wide financial statements distinguish governmental activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges or by taxes collected. The Authority's financial reporting includes all the funds of the Authority and, additionally, organizations for which the Authority is accountable.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Authority has one kind of fund:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Authority as a Whole

The Authority began operating on April 1, 2006. As a result, only one period of activity exists to analyze. Comparative analysis will be provided in future years when prior year information is available.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	<u>3/31/2007</u>
Current and other assets	\$ 339,350
Capital assets	<u>230,865</u>
Total assets	<u>570,215</u>
Accounts payable	21,565
Accrued expenses	8,788
Note payable	<u>51,730</u>
Total liabilities	<u>82,083</u>
Net assets:	
Invested in capital assets	179,135
Unrestricted	<u>308,997</u>
Total net assets	<u>\$ 488,132</u>

Summary of Changes in Net Assets

	<u>Governmental Activities 3/31/2007</u>
Revenues:	
Program revenues	
Charges for services	\$ 279,543
Operating grants and contributions	82,249
Capital grants and contributions	204,540
General revenues	
Property taxes	366,716
Other	<u>1,508</u>
Total revenues	<u>934,556</u>
Expenses for fire and ambulance services	<u>446,424</u>
Increase in net assets	488,132
Beginning net assets	<u> </u>
Ending net assets	<u>\$ 488,132</u>

Changes in Financial Status

The net assets of the Authority increased \$488,132 for the first year of operations. However, it will be needed to operate both departments until the next tax collection period of December 2007.

Financial Analysis of the Authority's Funds

The Authority's General Fund had revenues over expenditures from current year operations totaling \$308,997 to add to its fund balance.

General Fund Budgetary Highlights

The original General Fund budget adopted by the Authority was created prior to the beginning of the fiscal year outlining the Authority's anticipated financial operations. Small amendments were required from the originally adopted budget to reflect economic reality. Expenditures exceeded the budget in several activities.

Capital Asset and Debt Administration

The Authority purchased two new assets during the year. In addition, the Authority recorded several capital assets on its books titled to a member government in which the Authority bears all the risks of ownership. Capital assets added included several fire trucks, ambulance transport vehicles and other equipment totaling \$282,771.

The Authority entered into a note payable with Stockbridge Township to purchase a fire truck. The truck was fully financed with the note for \$62,815. Principal of \$11,085 was paid on the note during the year.

Economic Conditions and Future Activities

Future operations and capital outlay purchases will be funded primarily by property taxes collected and charges for ambulance and fire runs.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Stockbridge Area Emergency Services Authority.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF NET ASSETS
MARCH 31, 2007

ASSETS

ASSETS

Cash and cash equivalents	\$ 201,477	
Accounts receivable, net	134,312	
Due from other governments	3,561	
Capital assets - net of depreciation	<u>230,865</u>	
Total assets		\$ 570,215

LIABILITIES

LIABILITIES

Checks issued in excess of cash in bank	11,278	
Accounts payable	8,962	
Accrued expenses	8,788	
Payroll taxes payable	1,325	
Note payable		
Current portion	11,824	
Non-current portion	<u>39,906</u>	
Total liabilities		<u>82,083</u>

NET ASSETS

NET ASSETS

Invested in capital assets, net of related debt	179,135	
Unrestricted	<u>308,997</u>	
Total net assets		<u>\$ 488,132</u>

The notes are an integral part of the financial statements.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Fire protection	\$ (156,462)	\$ 59,439	\$ 25,810	\$ 127,040	\$ 55,827
Ambulance services	(286,267)	220,104	56,439	77,500	67,776
Interest on long-term debt	(3,695)				(3,695)
Total governmental activities	<u>\$ (446,424)</u>	<u>\$ 279,543</u>	<u>\$ 82,249</u>	<u>\$ 204,540</u>	<u>119,908</u>
General Revenues:					
Property taxes					366,716
Unrestricted investment earnings					989
Other income					<u>519</u>
Total general revenues					<u>368,224</u>
Changes in net assets					488,132
Net assets, April 1, 2006					<u></u>
Net assets, March 31, 2007					<u>\$ 488,132</u>

The notes are an integral part of the financial statements.

FUND
FINANCIAL
STATEMENTS

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2007

	<u>Major Fund</u> <u>General Fund</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 201,477
Property taxes receivable	76,105
Accounts receivable, net	58,207
Due from other governments	<u>3,561</u>
Total current assets	<u><u>\$ 339,350</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Checks issued in excess of available cash	\$ 11,278
Accounts payable	8,962
Accrued wages	8,788
Payroll taxes payable	<u>1,325</u>
Total liabilities	30,353
FUND BALANCES	
Unreserved	<u>308,997</u>
Total liabilities and fund balances	<u><u>\$ 339,350</u></u>

The notes are an integral part of the financial statements.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
FOR THE YEAR ENDED MARCH 31, 2007

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Total fund balance per balance sheet			\$ 308,997
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Historical cost	\$ 1,127,474		
Depreciation	<u>(896,609)</u>		
Capital assets net of depreciation			230,865
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:			
Note payable - Stockbridge Twp.			<u>(51,730)</u>
Net assets of governmental activities			<u>\$ 488,132</u>

The notes are an integral part of the financial statements.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Major Fund</u> <u>General Fund</u>
REVENUES	
Taxes	\$ 366,716
Member contributions	70,809
Donations	11,440
Charges for services	279,543
Interest	989
Miscellaneous	<u>519</u>
Total revenues	<u>730,016</u>
EXPENDITURES	
Fire protection	115,946
Ambulance service	272,921
Capital outlay	80,187
Debt service	<u>14,780</u>
Total expenditures	<u>483,834</u>
Excess of revenues over (under) expenditures	246,182
OTHER FINANCING SOURCES (USES)	
Loan proceeds	<u>62,815</u>
Net changes in fund balance	308,997
FUND BALANCE, APRIL 1, 2006	<u> </u>
FUND BALANCE, MARCH 31, 2007	<u><u>\$ 308,997</u></u>

The notes are an integral part of the financial statements.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net change in fund balances - governmental funds	\$ 308,997
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:	
Capital outlay	\$ 78,231
Depreciation expense	<u>(51,906)</u>
	26,325
Repayment of notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
Repayment of Note Payable - Stockbridge Twp.	11,085
The contributions of capital assets to the Authority is not a current financial resource, but the assets received do increase capital assets in the Statement of Net Assets	204,540
Proceeds from the issuance of notes payable is a revenue in the governmental funds, but the proceeds increases the long-term liabilities in the Statement of Net Assets.	
Debt proceeds from issuance of Note payable - Stockbridge Twp.	<u>(62,815)</u>
Change in net assets of governmental activities	<u>\$ 488,132</u>

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Stockbridge Area Emergency Services Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended. The Stockbridge Area Emergency Services Authority Board is appointed by each member municipality. The member municipalities are Waterloo Township, White Oak Township, Stockbridge Township, Bunkerhill Township. The Authority was created as a joint venture by its members on January 25, 2006 to provide fire protection.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Authority. There are no component units of the Authority using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Authority as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Authority reports the following major governmental fund:

The General Fund is the Authority's only fund. It accounts for all financial resources of the authority.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund and all Special Revenue funds. The budget can be amended by approval from the Authority's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end. Total actual expenditures exceeded budgeted appropriations for the year ending March 31, 2007 in several activities.

G. RISK MANAGEMENT

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

H. ACCRUED COMPENSATED ABSENCES

The Authority has no liability for compensated absences.

I. PROPERTY TAXES

The Authority's property taxes are levied and become a lien on December 1st based on the taxable valuation of property located in the Authority as of the preceding December 31st. These taxes are due on February 14th, with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For the year ended March 31, 2007, the Authority recognized the property taxes levied December 1, 2006 as revenue. Total taxable value was \$333,378,182 and the millage rate was approved by the voters at 1.100. The period covered by the millage runs for five years (December 2006 through December 2010).

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

J. RECEIVABLES

Taxes receivable consist of property taxes due to the Authority from property owners. Accounts receivable consists of amounts owed from private individuals or organizations for services rendered including amounts owed for which billings have not been prepared. The allowance method is used to account for bad debt expense.

K. AMOUNTS DUE FROM OTHER GOVERNMENTS

These amounts include amounts due from Stockbridge Township. The Authority inherited certain receivables from the Township as a result of the transition of the Township's Fire Department to the Authority. The Township agreed to settle any receivable the Authority inherited that become uncollectible.

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Balance 4-01-06</u>	<u>Additions</u>	<u>Equity Transfer In</u>	<u>Deletions</u>	<u>Balance 3-31-07</u>
Fire equipment	\$	\$ 62,815	\$ 738,243	\$	\$ 801,058
Ambulance equipment	<u> </u>	<u>15,416</u>	<u>311,000</u>	<u> </u>	<u>326,416</u>
		78,231	1,049,243		1,127,474
Accumulated depreciation	<u> </u>	<u>(51,906)</u>	<u>(844,703)</u>	<u> </u>	<u>(896,609)</u>
Governmental activities capital assets, net	<u>\$</u>	<u>\$ 26,325</u>	<u>\$ 204,540</u>	<u>\$</u>	<u>\$ 230,865</u>

Depreciation expense is charged to the following activities:

Fire Protection Services	\$ 38,692
Emergency Medical Services	<u>13,214</u>
	<u>\$ 51,906</u>

As of March 31, 2007 there was \$51,730 of long-term debt outstanding related to the Authority's capital assets.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 3 - LONG-TERM DEBT

The following is a summary of long-term debt activity for the Authority.

	<u>Balance 4-01-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3-31-07</u>
Note payable - Stockbridge Township	\$ <u> </u>	\$ <u>62,815</u>	\$ <u>11,085</u>	\$ <u>51,730</u>

The Authority entered into a note payable with Stockbridge Township for the purchase of a ladder truck on April 1, 2006. Payments on the note are due annually each March. Interest charged varies from 5.88% — 5.26% over the term of the loan. The note is scheduled to mature on March 31, 2011.

The following schedule details the future long-term debt obligations of the Authority:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
3/31/2008	\$ 11,824	\$ 2,956	\$ 14,780
3/31/2009	12,563	2,217	14,780
3/31/2010	13,302	1,478	14,780
3/31/2011	<u>14,041</u>	<u>739</u>	<u>14,780</u>
	<u>\$ 51,730</u>	<u>\$ 7,390</u>	<u>\$ 59,120</u>

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured	\$ 100,000	\$ 100,000
Uninsured and uncollateralized	<u>90,199</u>	<u>108,424</u>
	<u>\$ 190,199</u>	<u>\$ 208,424</u>

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

The Authority has not formally adopted deposit and investment policies that limit the Authority's allowable deposits or investments and address the specific types of risk to which the government is exposed.

NOTE 5 - RELATED PARTY LEASE

The Authority is the lessor in a lease agreement for equipment owned by Stockbridge Township. The lease calls for annual payments from the Authority of \$1. The lease term is year to year beginning on April 1 and ending on March 31.

The Authority was formed to provide fire protection and emergency medical services to area Townships, including Stockbridge Township. As a result, the Stockbridge Township Fire Department is no longer providing fire protection services. The capital assets under lease to the Authority have been added to the capital asset accounts of the Authority net of accumulated depreciation at April 1, 2006 and are being depreciated over their estimated useful lives beginning from their original acquisition dates.

REQUIRED
SUPPLEMENTARY
INFORMATION

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$	\$ 376,092	\$ 366,716	\$ (9,376)
Member contributions	208,780	80,486	70,809	(9,677)
Ambulance runs	225,000	195,000	199,214	4,214
Fire runs	40,500	35,000	59,439	24,439
Subscriptions	25,000	20,000	20,890	890
Donations			11,440	11,440
Miscellaneous			519	519
Interest		125	989	864
Total revenues	499,280	706,703	730,016	23,313
EXPENDITURES				
Personnel	291,339	268,470	264,529	3,941
Equipment	53,035	36,644	100,209	(63,565)
Supplies	25,082	27,450	19,654	7,796
Insurance	36,477	35,400	31,926	3,474
Utilities	14,263	11,725	13,637	(1,912)
Contracted service	66,841	29,480	32,051	(2,571)
Debt service			14,780	(14,780)
Office and general administrative	7,630	7,950	7,048	902
Total expenditures	494,667	417,119	483,834	(66,715)
Excess of revenues over expenditures	4,613	289,584	246,182	(43,402)
OTHER FINANCING SOURCES (USES)				
Loan proceeds - equipment			62,815	62,815
Transfers (out)		(289,584)		289,584
Total other financing sources (uses)		(289,584)	62,815	352,399
Net changes in fund balance	4,613		308,997	308,997
FUND BALANCE, APRIL 1, 2006				
FUND BALANCE, MARCH 31, 2007	\$ 4,613	\$	\$ 308,997	\$ 308,997

SUPPLEMENTARY
INFORMATION

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
GENERAL FUND
BALANCE SHEET - BY DEPARTMENT
MARCH 31, 2007

	Fire	Ambulance	General	Interdept. Elimination	Total
ASSETS					
Cash and cash equivalents	\$	\$ 1,583	\$ 199,894	\$	\$ 201,477
Due from other departments		356		(356)	
Accounts receivable - ambulance runs, net		41,708			41,708
Accounts receivable - fire runs, net	16,499				16,499
Accounts receivable - property taxes			76,105		76,105
Due from other governments	3,561				3,561
	<u>3,561</u>	<u></u>	<u></u>	<u></u>	<u>3,561</u>
Total assets	<u>\$ 20,060</u>	<u>\$ 43,647</u>	<u>\$ 275,999</u>	<u>\$ (356)</u>	<u>\$ 339,350</u>
LIABILITIES					
Accounts payable	\$ 4,563	\$ 4,399	\$	\$	\$ 8,962
Checks issued in excess of available cash	8,596	2,682			11,278
Accrued wages	2,825	5,963			8,788
Due to other departments	356			(356)	
Payroll taxes payable		1,325			1,325
	<u>16,340</u>	<u>14,369</u>	<u></u>	<u>(356)</u>	<u>30,353</u>
Total liabilities	16,340	14,369		(356)	30,353
FUND BALANCE					
	<u>3,720</u>	<u>29,278</u>	<u>275,999</u>	<u></u>	<u>308,997</u>
Total liabilities and fund balance	<u>\$ 20,060</u>	<u>\$ 43,647</u>	<u>\$ 275,999</u>	<u>\$ (356)</u>	<u>\$ 339,350</u>

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - BY DEPARTMENT
FOR THE YEAR ENDED MARCH 31, 2007

	Fire		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND LOAN PROCEEDS			
Property taxes	\$ 200,000	\$ 50,883	\$ (149,117)
Member contributions	35,486	25,810	(9,676)
Ambulance runs			
Fire runs	35,000	59,439	24,439
Subscriptions			
Donations			
Miscellaneous			
Loan proceeds - equipment		62,815	62,815
Interest	125	138	13
Total revenues and loan proceeds	270,611	199,085	(71,526)
EXPENDITURES AND TRANSFERS OUT			
Personnel	37,975	39,799	(1,824)
Equipment	23,839	79,156	(55,317)
Supplies	5,025	4,041	984
Insurance	23,500	20,718	2,782
Utilities	6,775	8,427	(1,652)
Contracted services	23,705	27,113	(3,408)
Debt service		14,780	(14,780)
Office and general administrative	1,300	1,331	(31)
Transfer to reserves	148,492		148,492
Total expenditures and transfers	270,611	195,365	75,246
Net changes in fund balance	\$	\$ 3,720	\$ 3,720

Ambulance			General			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 176,092	\$ 40,500	\$ (135,592)	\$	\$ 275,333	275,333	\$ 376,092	\$ 366,716	\$ (9,376)
45,000	44,999	(1)				80,486	70,809	(9,677)
195,000	199,214	4,214				195,000	199,214	4,214
						35,000	59,439	24,439
20,000	20,890	890				20,000	20,890	890
	11,440	11,440					11,440	11,440
	519	519					519	519
							62,815	62,815
	185	185		666	666	125	989	864
436,092	317,747	(118,345)		275,999	275,999	706,703	792,831	86,128
230,495	224,730	5,765				268,470	264,529	3,941
12,805	21,053	(8,248)				36,644	100,209	(63,565)
22,425	15,613	6,812				27,450	19,654	7,796
11,900	11,208	692				35,400	31,926	3,474
4,950	5,210	(260)				11,725	13,637	(1,912)
5,775	4,938	837				29,480	32,051	(2,571)
							14,780	(14,780)
6,650	5,717	933				7,950	7,048	902
141,092		141,092				289,584		289,584
436,092	288,469	147,623				706,703	483,834	222,869
\$	\$ 29,278	\$ 29,278		\$ 275,999	\$ 275,999	\$	\$ 308,997	\$ 308,997

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - BY DEPARTMENT
FOR THE YEAR ENDED MARCH 31, 2007

	Fire			Ambulance		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
PERSONNEL						
Wages and salaries	\$	\$ 34,089	\$	\$	\$ 192,418	\$
Insurance		2,537			13,792	
Payroll taxes		2,392			14,374	
Training		600			750	
Uniforms		90			1,250	
Physicals, vaccines, drug tests		15			440	
Mileage		76			1,706	
Total personnel	<u>37,975</u>	<u>39,799</u>	<u>(1,824)</u>	<u>230,495</u>	<u>224,730</u>	<u>5,765</u>
EQUIPMENT						
Repairs and maintenance		7,086			5,505	
Turnout gear		7,431				
Capital outlay		64,639			15,548	
Total equipment	<u>23,839</u>	<u>79,156</u>	<u>(55,317)</u>	<u>12,805</u>	<u>21,053</u>	<u>(8,248)</u>
SUPPLIES						
Operating supplies		1,117			1,321	
Fuel		2,464			6,094	
Medical supplies		62			6,795	
Automotive supplies		31			309	
Computer supplies		11				
Building and cleaning supplies		228			1,032	
Educational supplies		128			62	
Total supplies	<u>5,025</u>	<u>4,041</u>	<u>984</u>	<u>22,425</u>	<u>15,613</u>	<u>6,812</u>
INSURANCE						
Liability insurance		12,231			4,896	
Automotive insurance		8,487			6,312	
Total insurance	<u>23,500</u>	<u>20,718</u>	<u>2,782</u>	<u>11,900</u>	<u>11,208</u>	<u>692</u>
UTILITIES						
Electric and gas		4,584			640	
Rubbish removal		578				
Water and sewer		381			416	
Telephone		567			2,510	
Pager service		2,317			1,644	
Total utilities	<u>6,775</u>	<u>8,427</u>	<u>(1,652)</u>	<u>4,950</u>	<u>5,210</u>	<u>(260)</u>
CONTRACTED SERVICES						
Technical		895			2,710	
Monitor repair contracts					925	
Grounds maintenance		1,000				
Legal, accounting and auditing		1,165			1,003	
Fire protection services		24,053				
Training					300	
Total contracted services	<u>23,705</u>	<u>27,113</u>	<u>(3,408)</u>	<u>5,775</u>	<u>4,938</u>	<u>837</u>
DEBT SERVICE						
Principal		11,085				
Interest		3,695				
Total debt service	<u></u>	<u>14,780</u>	<u>(14,780)</u>	<u></u>	<u></u>	<u></u>
OFFICE AND GENERAL ADMINISTRATIVE						
Office supplies		750			1,372	
Postage		202			1,691	
Printing					1,579	
Advertising		303			72	
Internet		75			661	
Lease		1				
Dues and subscriptions					342	
Total office and general administrative	<u>1,300</u>	<u>1,331</u>	<u>(31)</u>	<u>6,650</u>	<u>5,717</u>	<u>933</u>
TOTAL EXPENDITURES	<u>\$ 122,119</u>	<u>\$ 195,365</u>	<u>\$ (73,246)</u>	<u>\$ 295,000</u>	<u>\$ 288,469</u>	<u>\$ 6,531</u>

Total		Variance
Budget	Actual	Favorable (Unfavorable)
\$	\$ 226,507	\$
	16,329	
	16,766	
	1,350	
	1,340	
	455	
	1,782	
268,470	264,529	3,941
	12,591	
	7,431	
	80,187	
36,644	100,209	(63,565)
	2,438	
	8,558	
	6,857	
	340	
	11	
	1,260	
	190	
27,450	19,654	7,796
	17,127	
	14,799	
35,400	31,926	3,474
	5,224	
	578	
	797	
	3,077	
	3,961	
11,725	13,637	(1,912)
	3,605	
	925	
	1,000	
	2,168	
	24,053	
	300	
29,480	32,051	(2,571)
	11,085	
	3,695	
	14,780	(14,780)
	2,122	
	1,893	
	1,579	
	375	
	736	
	1	
	342	
7,950	7,048	902
\$ 417,119	\$ 483,834	\$ (66,715)

STOCKBRIDGE AREA EMERGENCY
SERVICES AUTHORITY

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2007

July 1, 2007

Stockbridge Area Emergency Services Authority (S.A.E.S.A.)
Honorable Board Members
125 S. Center Street
P O Box 336
Stockbridge, MI 49285

While conducting our audit fieldwork for the year ending March 31, 2007, we came across some items for discussion which are as follows:

1. COMMENT

While reviewing various documents we noticed that there is no official agreement signed documenting the loan between Stockbridge Area Emergency Services Authority (SAESA) and Stockbridge Township in which Stockbridge Area Emergency Services Authority (SAESA) makes payments to Stockbridge for a fire ladder truck.

RECOMMENDATION

All agreements of this nature should be put in writing and signed by both parties to avoid future disagreements.

2. COMMENT

We noticed that there were checks written on April 12, 2007 and predated for March 31, 2007 after the bank reconciliation was done, therefore, the bank reconciliation did not reconcile with the check register. The intent was to put the expense into the fiscal year ending March 31, 2007.

RECOMMENDATION

In the future all checks should be dated the day they are written. To accomplish putting the expense into the correct period, the expense should be recorded as a bill through accounts payable.

3. COMMENT

The following are the approved signers for the following bank accounts:

Payroll Account - Judy Heeney, John Beck, Paul Risner, Robert Hannewald

Ambulance Account - Paul Risner, Robert Hannewald, John Beck

Fire Account - John Beck, Donald McAlister Jr., Paul Risner, Robert Hannewald

General investment - Paul Risner, Robert Hannewald

John Beck does bank reconciliations for the payroll account, ambulance account and general investments account; Donald McAlister does the bank reconciliations for the fire account. For better internal controls, the person signing for disbursements should not be the same person reconciling the account.

RECOMMENDATION

The authority should discuss ways to make changes so as to improve internal controls. We would be happy to give the authority some suggestions.

4. COMMENT

There seems to be some contradictory procedures/policies regarding disability insurance. We found while reviewing invoices for disability insurance that a part time employee was receiving coverage (employee was previously full time with prior non-profit entity). It seems there is no official policy adopted by the board as to who should be covered by disability insurance.

RECOMMENDATION

We suggest that an official policy statement or a personnel policy manual be adopted by the authority.

5. COMMENT

We noticed while reviewing reimbursements to various staff the authority is paying sales tax.

RECOMMENDATION

We suggest the authority adopt a policy and obtain a credit card in the authority's name which would enable the authority not to pay sales tax directly to its vendors. If the authority decides against this, it should consider adopting a policy which the authority makes all purchases from vendors. The intent is to stop paying sales tax.

6. COMMENT

While reviewing the procedures for fuel purchases we noted that employees are not required to give a copy of the receipt to the accounting department after making the purchase.

RECOMMENDATION

We suggest that each time an employee purchases fuel, a copy of the receipt be given to the accounting dept. This would allow for matching receipts to the monthly invoice sent by the vendor to the authority to verify the charges.

7. COMMENT

We noted that there could be potential misunderstandings or issues related to conflicts of interest which sometimes happen in small entities such as the authority. We bring this up because of one issue we found whereas an employee of the authority was conducting business with the company the employee owns.

RECOMMENDATION

The board should adopt a conflict of interest policy.

8. COMMENT

We noted the authority does not have any type of bonding insurance for certain key employees who handle monies.

RECOMMENDATION

Bonding coverage should be discussed with the authority's insurance agent.

9. COMMENT

The authority has not adopted a capital asset policy.

RECOMMENDATION

The board should adopt a capital asset policy outlining the minimum cost per asset to qualify for capitalization and the estimated useful lives of assets by type.

This letter does not affect our report dated July 1, 2007 on the financial statements of the Stockbridge Area Emergency Services Authority (SAESA).

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of the Stockbridge Area Emergency Services Authority (SAESA) and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants